

MILFORD CITY COUNCIL  
MINUTES OF MEETING  
January 5, 2016

A Meeting of the Economic Development Committee was held in the Joseph Ronnie Rogers Council Chambers at Milford City Hall on Tuesday, January 5, 2016.

PRESIDING: Economic Development Committee Chairman Garrett Grier

IN ATTENDANCE: Mayor Bryan Shupe

Economic Development Committee Member:  
Councilman James Starling Sr.

City Manager Eric Norenberg  
City Clerk Terri Hudson

Chairman Grier called the meeting to order at 5:31 p.m. He announced that Committee Member Chris Mergner was unable to attend. Finance Director Jeff Portmann and Planning and Economic Activities Coordinator Rob Pierce were also in attendance.

Mr. Grier explained the purpose of the meeting is to discuss some incentives for potential buyers at the Greater Milford Business Park and/or Independence Commons. He recalled the meeting when council expressed a great deal of concern about the previous concept presented at their last meeting.

Since that time, Mr. Grier said they had a follow-up meeting with the business who is interested in the business park. The possibility of a lease structure was presented to the owners who were very receptive to the idea.

Mr. Grier explained that the value of the land would be paid back over a time frame that will be determined by the city. At the end of the contract/agreement, the land would be deeded to the business.

Mayor Shupe asked Planner Rob Pierce to discuss some incentives that may be offered during that time frame. The mayor believes the city can provide a tax abatement on the improvements because the land will remain in the city's name. Mr. Grier agrees that will be very attractive to a potential buyer.

Mr. Pierce noted that Kent County would still collect taxes on the improvements because it would be privately owned.

He clarified that this would be structured as a land installment contract, as was recommended by City Solicitor David Rutt. The term is still up for discussion.

Mr. Grier does not feel the city has done a very good job of marketing the business park. Mr. Pierce agreed adding there are two parcels left on the business park (south of Airport Road) side and the goal is to get someone in there and the property developed.

Mr. Grier asked if there will be a different offer to an entity bringing only five jobs and whether it should be altered based on the number of new jobs being created. He feels we need to tie in a job factor. Mayor Shupe agreed and described some possible one-person situations that would not really benefit the city.

Both Mr. Grier and Mayor Shupe feels that an economic development tie in is needed.

The city planner added that even though the business may only be bringing five, ten or fifteen positions, some incentives should be offered but not to the degree of those coming in with thirty or fifty jobs. For example, building permit, impact fees or site plan review fees could be waived. However, there should be thirty plus jobs before the land installment option should be considered.

He emphasized the need for the city to receive the benefit of numerous jobs to justify allowing a business to pay for the

land over a twenty plus year period.

Mr. Grier noted that one business wants two acres and will bring in thirty plus jobs. However, typically, a one-acre office complex will not bring in near that number of jobs.

Mayor Shupe agrees that in the case of a business bringing five, ten or fifteen jobs, the city could start with impact fees waivers. We could also consider building permit fees. The land installment concept should only be considered for those bringing thirty plus jobs. He concurs with Mr. Pierce that if the city holds the land long terms for that business, we need to make sure there is a provision in the agreement that they keep that number of jobs throughout that period of time.

Mr. Grier feels that if they do not maintain the jobs, they need to be forced to purchase the property or surrender their assets/improvements.

Mr. Pierce said a lot of smaller items such as impact and building permit fee waivers are more up front costs. The city does not have to be quite as strict with those over that entire period of time. He suggests possible two or three years. However, any business in a long term lease needs to be audited by the city on an annual basis. Should they dip below the required number in one year, he recommends not penalizing them if they are above that number over the three-year average, for example.

Mr. Grier agrees adding that in that situation, they would be given the option to buy out the contract. They could possibly get two or three years in and during that time, they possibly have paid off some other debt and may want to purchase it at that point. He said that is an option that needs to be left open.

Regardless, this option certainly creates a positive cash flow. He explained that if a business borrowed \$125,000 or \$250,000, in this manner they are not required to put down the 20% needed to acquire the loan through a bank or financial institute. In addition, no city property taxes are being paid during this time. Both are substantial savings.

Finance Director Portmann said that in order to encourage them to purchase the property, they will need an incentive on the tax end. Otherwise, they will not be motivated to purchase the land if they have to start paying taxes. For example, if they are given a twenty-year lease/purchase agreement, and in year three they want to buy the parcel, perhaps a tax waiver of some degree should be considered for the remaining seventeen years. If not, he does not believe they will purchase it.

Mr. Portmann advised that the city will be receiving a new appraisal of the property. The proposal will be presented to city council for their approval on Monday. This will provide us with a more up-to-date value of the lots.

Mr. Pierce said he contacted Jamie Masten and asked for an estimate to appraise the remaining parcels. Mr. Masten believes it will be in the range of \$1,900. The appraisal would include the two undeveloped lots on the business park side in addition to those in Independence Commons.

Mayor Shupe reported that DEDO has offered to assist with marketing the business park for the city. Once we have the updated appraisal, they will add the information to their website, brochures etc.

He said he often receives phone calls from them asking what properties are available for a potential business looking for a site.

Mr. Portmann agrees that adding incentives would really make the deal even more attractive. He suggests starting that right away noting that it has taken three to four months to get to this point.

Mr. Pierce stated that both the State of Delaware and Kent County provide forms where a picture of commercial/industrial site and related information can be posted. The City of Dover and Town of Smyrna both have potential properties listed on the Kent County Economic Development Offices' website.

It was confirmed that the city is prohibited from paying any commission on land sales in the business park. That was part of the grant agreement when the city purchased the property. Mr. Pierce suggested paying that out of city funds; Mr.

Portmann explained the buyer pays all funds associated with the purchase.

Mr. Grier asked if the committee is interested in having Mr. Rutt structure an agreement for Monday's council meeting; It was agreed a program needs to be developed in which any potential buyer that qualifies could take advantage of.

Mr. Grier emphasized that to qualify, the business must bring a minimum of thirty jobs. However, Council will make the ultimate decision on the number of jobs required.

Mr. Portmann asked if this only applies to the Greater Milford Business Park or if it includes Independence Commons. It was agreed this would only apply to the business park at this point.

Mr. Pierce questioned if this would be ready for Monday; City Manager Norenberg suggests a conceptual at this point noting there is not enough time to develop the entire program before the meeting.

Mr. Pierce said he will present bullet points to give council some idea of the main issues. There is a great deal of legal terminology that needs to be sorted out and later added to the actual plan. However, giving an overview of the incentives, number of jobs required, etc. is possible at this point.

Mr. Grier reiterated that the purpose of meeting today was to have something to present to city council by the January 11th meeting. Mr. Pierce feels we can provide a general outline of the program though an ordinance is really needed which is much more detailed and will take additional time.

Mayor Shupe suggests expanding this into city-owned properties outside of the business parks. That can be discussed though this one contract needs to be addressed in executive session. The actual program that will encompass everything should be discussed during the open session.

Mr. Portmann emphasized that if we focus on one program, we need to ensure that a new company walking into the city tomorrow will have the same offer. There are also many different aspects that can be tied in and that will take sometime. Right now, he recommends staying focused on this business as long as we are able to accommodate the next business in the same manner.

Mayor Shupe said at the same time, we will work toward a more concrete plan.

Mr. Pierce said if we switch gears and focus on some areas in the downtown, we may want to enter into the same type of installment contract but with a business with less than thirty jobs. For example, a restaurant or retail is referenced in our master plan. Logistically, it would not be possible for them to offer thirty jobs. But we could offer the same incentives for lesser jobs in the downtown area because of the many indirect benefits.

Mr. Portmann feels we need an active marketing program to get potential buyers interested in the business parks.

Mr. Grier is confident council will be more favorable to this idea.

Mr. Grier asked if this plan should include other city-owned lands, in addition to the business park. Mr. Pierce recommends this only apply to the business park at this point. He feels we should put another plan in place for the other city-owned lands and that can be done later this year.

Mr. Grier will recommend to council that a land installment contract plan be developed. Mr. Pierce said he will only present a main bullet point outline to get councils' consensus before the actual program is developed. Otherwise, a lot of time may be wasted if council is not in agreement.

Mr. Starling agrees the main points needs to be presented prior to starting any real work.

Mr. Pierce said he can have that completed by Monday. After that, it will take a couple more works to complete the program.

Mr. Grier moved to proceed and present the land installment contract concept to city council at their Monday, January 11, 2016 meeting, seconded by Mr. Starling. Motion carried.

- There being no further business, Mr. Grier moved to adjourn the Economic Development Committee meeting, seconded by Mr. Starling. Motion carried.

The Committee Meeting adjourned at 5:51 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terri K. Hudson". The signature is fluid and cursive, with a large initial "T" and "H".

Terri K. Hudson, MMC  
City Clerk/Recorder